

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Telecommunications Division
Public Programs Branch

RESOLUTION T-16883
October 28, 2004

R E S O L U T I O N

Resolution T-16883. Approval of the California High Cost Fund-B (CHCF-B) Administrative Committee (AC) Expense Budget for July 1, 2005 Through June 30, 2006 to Comply with the Requirements of Public Utilities Code Section 270 (A).

Summary

This resolution adopts an expense budget of \$ 448.451 million for Fiscal Year (FY) 2005-06 for the California High Cost Fund-B (CHCF-B) program.

Background

In Decision (D) 96-10-066, the Commission established the CHCF-B program to provide universal service subsidy support in the high cost areas of SBC California. Verizon of California, Surewest Telephone, Citizens Telecommunications Company of California, and new carriers that become Carriers of Last Resort (COLR).

In October 1999, PU Code § 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). § 270(b) requires that the monies in the CHCF-B and five other funds may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act.

On May 27, 2004, in compliance with Paragraph 4.a.1 of the CHCF-B AC Charter, the Chairperson of the CHCF-B Administrative Committee (AC) submitted, to the Director of the Telecommunications Division (TD), an expense budget for Fiscal Year (FY) 2005-06 (July 1, 2005 to June 20, 2006) in the amount of \$ 448.886 million. The Chairperson's

request was made in her personal capacity since the CHCF-B AC was unable to vote on this item for lack of a quorum of members without a conflict of interest.

Notice/Protests

Notice of the CHCF-B AC Chairperson's expense budget letter was published in the Commission Daily Calendar on September 16, 2004.

The Commission did not receive any protests or comments on this matter.

Comments

In compliance with PU Code § 311 (g), a notice letter was e-mailed or mailed on September 28, 2004 to the CHCF-B claimants, the CHCF-B AC, and the parties on the service list of R.95-01-020/I.95-01-021 informing these parties that this draft resolution is available at the Commission's website <http://www.cpuc.ca.gov> and is available for public comments. In addition, the Telecommunications Division (TD) informed these parties of the availability of the conformed resolution at the same website.

Opening Comments were filed by SBC and the Chair and other members of the CHCF-B AC on the draft resolution. Those comments are summarized below:

SBC's opening comments

On October 13, 2004, SBC filed opening comments on the Draft Resolution. SBC asserted that TD's proposed FY 2005-06 budget dramatically increased the CPUC staff costs without justification. Furthermore, TD's proposed budget allocated costs for one meeting of the CHCF-B AC. Section 5.1 of the CHCF-B AC Charter requires the Committee to meet at least quarterly.

SBC recommended that the Commission should deny TD's proposed budget until there is a factual examination into whether these costs are inconsistent with historical budget trends.

CHCF-B AC opening comments

On October 19, 2004, opening comments were filed by the Chair and other members of the CHCF-B AC. The commenters state that one meeting, as proposed by TD, is inadequate for the CHCF-B AC to fulfill its obligations under Article 4.1 (b) of the CHCF-B AC Charter. The commenters further state that the Commission should allocate adequate funds so that the CHCF-B AC could have quarterly meetings as required by the Charter. The comments were late-filed.

Discussion

In this Resolution, the Commission adopts the CHCF-B expense budget for Fiscal Year (FY) 2005-06 in the amount of \$448.451 million.

Appendix A shows a comparison of the CHCF-B AC Fund Adopted and actual FY 2003-04 Expense Budgets, the FY 2004-05 Approved Expense Budget, the Revised Expense Budget proposed by the TD and the adopted Budget for FY 2005-06.

Although the CHCF-B AC Chairperson submitted a proposed \$448.866 million FY 2005-06 CHCF-B AC Fund expense budget to the Director of TD, this budget was never approved by the CHCF-B AC for lack of a quorum of members without a conflict of interest issue caused by Government Code § 1090 and the Fair Political Practices Act. Instead, TD proposes a FY 2005-06 revised expense budget of \$448.451 million as shown in Appendix A of this Resolution.

The proposed FY 2005-06 CHCF-B AC Fund Revised Expense Budget is for \$448.451 million. This includes: \$444.00 million for claim payments to 8 claimants; \$1.190 million for financial, compliance, claims and surcharge remittance audits; \$50,000 for banking fees; \$6,000 for Advisory Committee expenses for four meetings of the CHCF-B AC; \$555,000 for Staff and Administrative Costs; \$2.6 million for Inter-agency costs; and \$50,000 for Data Processing Automation expenses (SQL programming and maintaining the electronic and monitoring system).

In their comments, SBC and the Chair and other members of the CHCF-B AC noted that the Commission should allocate expenses for four committee meetings instead of one meeting, as required by the CHCF-B AC charter. The proposed FY 2005-06 budget makes allowances for four meetings of the CHCF-B AC.

In its comments, SBC also noted that the Proposed FY 2005-06 budget dramatically increased the CPUC staff costs without justification. TD's estimate for Staff and Administrative expense for FY 2005-06 is \$555,000 as compared to \$103,000 for the adopted FY 2004-05 budget. The higher amount is consistent with actual staff costs that have been incurred by the program in recent years and the reallocation of such costs from other funding sources as permitted by PU Code Section 276(c). TD's proposed revised expense budget of \$448.451 million for FY 2005-06 is reasonable and should be adopted.

Comments received from SBC and the Chair and other members of the CHCF-B AC have been addressed by this Resolution.

Findings

1. In October 1999, Public Utilities (PU) Code § 270-281 were codified as a result of the enactment of Senate Bill 669.
2. PU Code § 270(b) requires that the monies in California High Cost Fund-B (CHCF-B) Administrative Committee Fund may only be disbursed pursuant to § 270-281 and upon appropriation in the annual Budget Act.
3. On May 27, 2004, the Chairperson of the California High Cost Fund – B AC, in her personal capacity, filed a CHCF-B AC Fund expense budget of \$448.866 million for July 1, 2005 through June 30, 2006. This budget was not voted on by the CHCF-B AC for lack of a quorum of members without a conflict of interest.
4. Copies of the notice letter advising parties of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site were e-mailed or mailed to the CHCF-B claimants, the CHCF-B AC, and the parties on the service list of R.95-01-020/I.95-01-021, on September 28, 2004.
5. Opening comments were filed by SBC and, the chair and other members of the CHCF-B AC.
6. SBC asserts that the proposed FY 2005-06 budget dramatically increased the CPUC staff costs without justification and allocated costs for only one meeting is in violation of the CHCF-B AC charter.
7. The Telecommunications Division (TD) estimate for Staff and Administrative expense in the revised proposed budget is consistent with actual staff costs that were incurred by the program in recent years and were reallocated from other funding sources as permitted by PU Code Section 276(c) .
8. The Staff and Administrative expense is reasonable.
9. The Chair and other members of the CHCF-B AC request an increase in the number of meetings from one to four per year annually in order to fulfill the obligations of the CHCF-B AC as enumerated in the charter of the CHCF-B AC.
10. Section 5.1 of the CHCF-B AC charter requires that the CHCF-B AC meet at least quarterly to fulfill its obligations under its charter.
11. The proposed FY 2005-06 budget is modified to permit four meetings during FY 2005-06.

12. TD's proposed Revised Expense Budget for the CHCF-B AC Fund for FY 2005-06 of \$448.451 million, as set forth in Appendix A of this resolution, is reasonable and should be adopted.

THEREFORE, IT IS ORDERED that:

1. The expense budget for the California High Cost Fund-B Administrative Committee Fund for FY 2005-06 of \$448.451 million, as set forth in Appendix A of this resolution, is adopted.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 28, 2004. The following Commissioners approved it:

STEVE LARSON
Executive Director

APPENDIX A
 CALIFORNIA HIGH COST FUND B ADMINISTRATIVE COMMITTEE FUND
 EXPENSE BUDGET FOR FY 2005-06
 All Amounts in (\$000)

Program Expenses	July 2003-June 2004		July 2004-June 2005	July 2005 - June 2006		Notes
	Adopted per Res T-16794	Actual ¹	Adopted per Res T-16794 ⁹	Revised Proposed (10)	Adopted per Res T-16883	
a	b	c	d	e	f	
a Carrier Claims (Current)	\$ 475,000	\$ 460,739	\$ 433,000	\$ 443,000	\$ 443,000	2
b Carrier Claims for prior years	\$ 39,000	\$ 38,120				
c Interest Payments	\$ 1,000	\$ 5,017	\$ 1,000	\$ 1,000	\$ 1,000	
d Other Legislative Mandated Programs/Other Program Payments	\$ -	\$ -	\$ -			
e Administrative Committee-Per Diem	\$ 1	\$ -	\$ 1	\$ 3	\$ 3	3
f Administrative Committee-Travel and Others	\$ 1	\$ -	\$ 1	\$ 3	\$ 3	4
g Administrative Committee-Special Needs Accommodation and Teleconferencing	\$ -	\$ -	\$ -	\$ -	\$ -	
h Financial Audit	\$ 100		\$ 100	\$ 100	\$ 100	
i Compliance Audit	\$ 500		\$ 500	\$ 290	\$ 290	
j Surcharge Remittance Audit	\$ 600	\$ 120	\$ 600	\$ 400	\$ 400	
k Carrier Claim Audit	\$ 900	\$ 95	\$ 900	\$ 400	\$ 400	
l Banking Fees	\$ 23	\$ 30	\$ 50	\$ 50	\$ 50	5
m Inter-Agency Fee	\$ 3,347	\$ 3,327	\$ 2,588	\$ 2,600	\$ 2,600	6
n CPUC Staff and Administrative Costs		\$ 143	\$ 103	\$ 555	\$ 555	7
o Data Processing Automation	\$ -	\$ 6	\$ 50	\$ 50	\$ 50	8
p Total Program Expenses	\$ 520,472	\$ 507,597	\$ 438,893	\$ 448,451	\$ 448,451	

Notes

- 1 Based on Certification of Year-end Financial Reports for Fiscal Year ending June 30, 2004 submitted on August 16, 2004 to the State Controller.
Actual current claim for FY 2003-04 of \$460.739 million consists of: Actual claim payments of \$350.415 through June 30, 2004 plus claims for \$110.323 million for April through June 2004 that were paid subsequently.
- 2 Claim payments for FY 2005-06 are based on projections submitted by utilities in April 2004.
- 3,4 Pursuant to D. 02-04-059, per diem and other costs are authorized for committee member attendance in the CHCF-B AC meeting.
It is assumed that there will be 4 meetings of the CHCF-B AC during FY 2005-06.
- 5 This represents lockbox and access fees.
- 6 This is for pro-rata costs allocated to state service agencies, e. g. DGS, State Personnel Board, etc.
- 7 This represents CPUC CHCF-B staff and administrative costs.
- 8 This represents costs for SQL programming and maintaining the electronic filing and monitoring system.
- 9 The FY 2004-05 State Budget appropriated 482.384 million for the California High Cost Fund-B Administrative Committee Fund (Senate Bill 1113, Stats. 2004, Chapter 208).
- 10 Revised Proposed FY 2005-06 Budget reflects modification of Total Program Expenses from \$448.457 million to \$448.451 million due to increased CHCF-B AC expenses by \$4,000 and decrease in expenses for compliance audit by \$10,000.